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*Patterns of Good Practice in Post-War Planning National Product
Statistics Help Interpret Wartime Economy The Trend of Business*



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Editor, DUN's REVIEW

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The Cover

Concord, the capital of the State of New Hampshire and seat of Merrimack County, is located on the Merrimack in the southern part of the State.

The community sprang from a trading post established about 1660. Massachusetts in 1725 granted the land to some of her residents who founded a settlement called Pennycook (named after the Indians who had formerly occupied it), but an overlapping grant was made by New Hampshire in 1727. The community was incorporated by the Massachusetts general court in 1734 as Rumbold. The settlers in 1755 were confirmed in their possession, but under the jurisdiction of New Hampshire.

With the name changed to "the parish of Concord" in 1765, the town was incorporated in 1784. The State Constitutional Convention met there in 1778 and in 1781-1782. The first Legislature convened in Concord in 1782 and the convention which ratified the Federal Constitution, in 1788. Concord was definitely established as the capital in 1808.

Large quantities of granite are quarried at and shipped from Concord which also contains railroad shops, and manufactures belting, brass, wooden and leather articles, foundry products, dynamos, transformers, machinery, silverware, bricks, insulated wire, yarns, confectionery, and wagon wheels.

The city, with a population of 27,171, had 36 manufacturing plants in 1939, employing 1,415 wage earners who produced goods valued at \$6,441,867. Its 324 retail stores in 1939 had sales totalling \$13,646,000; the 121 service establishments, receipts of \$779,000; and the wholesale houses, sales of \$4,638,000.

The cover print depicts Concord in 1852. The four white cupolas, left to right, are the Unitarian Church, destroyed by fire in 1854; the First Baptist Church; the South Congregational Church, destroyed by fire in 1859; and the State House.

MARCH 1944

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[7]





PHOTO BY ROY PINNEY

WHAT does experience teach about post-war planning? Are there mistakes that can be avoided? How can employee co-operation best be secured? Here a man well qualified to comment on management technique answers these and other pertinent questions after examining activities in many companies.

PATTERNS OF GOOD PRACTICE IN POST-WAR PLANNING

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POST-WAR planning is far more than a technique. It is an art no less than a science, drawing for success upon right attitudes as well as upon proper methods. From the growing body of experimentation which is taking place throughout the country, we may now discuss certain patterns of good practice both in viewpoint and procedure. These are disclosed by the efforts of our pioneers who are breaking the paths down which tens of thousands of companies will walk as hostilities draw to a close.

Take the problem of organization, for example. Here our explorers have shown much resourcefulness, and the resulting variety has been great. What is revealed?

First, it has been found undesirable to segregate post-war planning in the hands of a single individual with a staff exclusively at his command.

This procedure has aroused considerable political antagonism within organizations where it has been attempted because it appears clear that this white-haired boy is in line for a very good position when the war is over, and it is of course obvious that every concern will be faced with the problem of surplus executive talent when it becomes necessary to merge the veterans with the present managerial staff. This is not to say that a single individual as secretary cannot serve to coordinate the efforts of the important executives in dealing with the post-war planning

problem. But the fact remains that the issue is of too great seriousness, complexity, and scope to be limited to the discretion of any single individual.

A second principle is that the operating head of the company needs to give post-war planning considerable personal time and thought; to demonstrate that he is capable of dealing with such an issue in a constructively imaginative way if the combined efforts of the organization are to be stimulated to fullest use.

It is the obviousness of his participation that brings reassurance to executives as well as the rank and file, for here is proof that the problem is receiving the major consideration that it so deeply deserves.

✓ **A third rule of action is that in some fashion the entire organization should be given opportunity to contribute to post-war thinking.**

As our industries are preparing themselves for the future contest for the commercial market, there is the growing conviction that one of their greatest resources is the skill of their old line employees who are imbued with the traditions of the business and who have those qualities of experience, versatility, and stability which lie at the heart of any company's security. When these individuals are not only satisfied that post-war planning is taking place but are permitted to contribute in some measure to it, their morale is found to be distinctly higher.

✓ **Finally, it has become clear that the brunt of the spade-work of post-war planning should be placed on younger shoulders.**

If we are sure of anything, it is that the post-war period of readjustment must be one extending over many years. Let us now, insofar as possible, prepare our second line of executives for the long and heavy task which lies ahead. The early accustoming of these younger men to deal with continuing change is as wise an investment as any company can make in its future.

Let us look at company attitudes toward post-war planning, for here again are surprising variances.

For example, a prevalent point of view is one that might be reflected by the statement, "*If it doesn't help to win the war—forget it.*" In the initial stages of post-war planning activities there was definite hesitancy, not to say furtiveness, on the part of some manufacturers who were not quite sure whether they were doing the patriotic thing by giving thought to the winning of the peace. This ghost has now been effectively laid, for there is ample evidence that the boys at the front are fighting not only to lick the Germans and the Japs, but to safeguard their families' privilege to live in the kind of world to which they have been accustomed. Unless this kind of world remains after the war, their efforts, as they see it, have been in vain. And this kind of world can only remain if post-war planning is vigorously initiated.

It has now become clear that post-war planning should begin the instant that the company reaches the point of satisfying the Government in point of quantity, quality, and delivery of war-time output.

Post-war planning is a plus-activity and not only can, but must, be carried on along with the war effort.

Another point of view may be summarized by the phrase, "*It all depends,*" meaning that the progress of the war will have so profound an effect upon the situation that there is no use planning until one can see a little more clearly into the future.

In recent months it has appeared that there are a considerable number of constructive activities which may be undertaken which have no bearing upon the duration of the war nor upon the exact nature of its events.

It is these activities which are now engaging the attention of a rapidly increasing number of industrialists.

A third point of view which has bestirred a good many of our enterprising executives turns about the old adage that "*The early bird catches the worm.*"

To be sufficiently foresighted to benefit from competitive advantage when entering the peace-time market reflects the spirit upon which American competitive enterprise has been built.

It is this point of view which is causing many organizations to cloak their post-war planning in secrecy. At a recent meeting of executives where post-war planning was being discussed, a speaker outlined in some detail his company's plans. Written questions from the floor were of a pointed nature and were later revealed to have come from his prime competitor. One can hardly blame the industrialist for playing his cards close to his chin with respect to many aspects of post-war planning.

Perhaps the most demanding viewpoint which has concerned manufacturers in these directions is that which is found in the question, "*When our contracts run out, where will we be?*" Many companies were organized to carry on wartime production, many executives and their staffs of personnel are all dressed up in war paint and will shortly have no place to go. These are the men who are putting in long hours to make their business safe for democracy. It is from this group that the so-called predatory competition will spring, and it is from this group that the old line manufacturer will meet his most aggressive challenge. With these industrialists who have made very real and effective contributions to the war effort, post-war planning is a problem of sheer existence.

Again, there is an ever-increasing

group of organizations which are deeply aware of the perils of unemployment after the war and who are devoting their efforts to ways and means whereby they may surely be in position to provide jobs for those who wish to remain with them after the Armistice is signed and for those of their past employees who return to the fold from the battlefields. This viewpoint may be considered somewhat more altruistic than the others which I have described, but the truth is, it is little more than enlightened selfishness.

It has become generally apparent that our competitive system of industry stands little chance of continuity unless it can insure satisfactory employment to the tens of millions who consider the right to work one of the inalienable privileges of a man anywhere.

As we look back over these changing attitudes, it appears that a new trend of thought is showing itself. World competition after the cessation of hostilities will unquestionably take on much more effective and powerful forms than hitherto. Countries such as Russia may be in a position to sink billions of dollars into research and industrial development on a scale far beyond that which any individual organization may attempt.

Within our own borders the national necessities of industrial continuity during the months of transition back to peace have become so crystal clear that this fact alone is providing ample objective challenge for the most patriotic efforts of every industrialist.

Perhaps the most significant swing of viewpoint during these past months has been the changing attitudes of our thousands of manufacturers toward the precise activities which they should undertake in preparing for their post-war world. Originally, there was a good deal of what might be called metamorphic thinking. As the butterfly breaks from its chrysalis, so each company on the morning after the armistice whistles blew, would emerge into a completely changed situation for which it should prepare. The post-war era was viewed as something on the other side of a door into which American industry would precipitately be plumped. As time has passed, this viewpoint had been tempered with the realization that there will undoubtedly be a lengthy tapering-off period.

Indeed it is now clear that this period has already begun. Current periodicals have for some time reflected the grow-

ing number of civilian releases, and, simultaneously, slang has come to our rescue with the term "cut-backs" to describe the lessening of our war contracts. In the interests of continued employment, if for nothing else, gradualization in transition will be the national policy.

Wise organizations are, therefore, anticipating that they will ride two horses through the middle of the stream, compensating for a tapering off of war activities, with gradual increases in their peace-time load.

There is one alternative. Those companies which have so planned their re-conversion that the change-over will be but a matter of days and who can thus guarantee continued and undiminished employment to their personnel, are likely to be in the best position to be permitted a prompt return to full-scale civilian production.

A second trend of viewpoint is also revealed. It is that any general approach to post-war planning is of necessity too broad to be of much practical significance.

The post-war planning problem is an individual problem to be solved by each individual establishment.

It is by these means only that industry will save itself and its way of life in the years ahead. As one manufacturer aptly put it, "Every company has got to play its own hand."

In approaching the problem of current preparation for post-war, we again find a wide spectrum of difference among establishments. In general, the larger companies have launched upon a far more comprehensive program than have the smaller, for they are usually better staffed with specialists and others whose time can be assigned to such activities. Yet in every organization the crucial difficulty of finding time and personnel to carry forward these constructive steps has been in a large degree the determinant of the kind of activities ultimately undertaken.

The fact now emerges that the medium and smaller concerns facing future difficulties must of necessity concentrate on first-things first, and these problems apply not so much to the post-war era as to the transitional period.

When the industrialist completes his giant swing on the trapeze of war production, he looses his hold and attempts to grasp the outstretched hands of his pre-war customers. This flying leap requires momentum no less than good timing and is, for a large proportion

of our companies, the crucial technique which must be mastered. More and more American industry is, therefore, concentrating on those transitional activities which meet the following three requirements: 1. They are activities which are not normal to war or peace; 2. They should be undertaken at once, irrespective of the actual termination of hostilities; and 3. If not satisfactorily completed before V-day, specific disadvantages will follow.

For example, many organizations are now preparing priority schedules in collaboration with their distributors, for they realize that their pre-war distribution on a stock-replenishment basis is to be of necessity superseded by hand-to-mouth distribution until post-war stocks again are built up. Such market conferences result in a planned production schedule which will be of greatest significance to the future welfare and security of the company, irrespective of the exact time of the war's end.

Other companies are undertaking rehabilitation activities, in some instances employing outside assistance to bring buildings, machinery, tools, and drawings up to date, for such opportunities may be extremely limited when the initial load of civilian demand descends upon them. An increasing number of concerns are examining inventories of all sorts in order that the Armistice will not find them in a disadvantageous position with regard to wartime commitments or new commercial requirements. These studies are reaching back to include conferences with vendors and Government officials.

A third and most propitious activity which is increasingly appearing is that of conference with employees or their

representatives, with respect to future post-war wage scales, hours of work, possible lay-off, seniority agreements, and other problems which may be discussed much more objectively at this time than when the issue is hard upon them.

At this writing I have a list of close to forty such practical activities which are clearly transitional in nature and which, for many companies, have been deemed an important starting point in their post-war planning.

During this past period there has been a great hullabaloo about new products which carry a quality of sensationalism which makes for headlines. This has been undoubtedly unfortunate for many organizations, inasmuch as they have unwisely preoccupied themselves with minor gadgets which could not possibly be expected to contribute importantly to sales in the immediate transitional future when flow of output is so vital to continued employment.

It is becoming widely apparent that the problem of American industry is to get its old products back into the running—to get the old bicycle under way, after which it may be steered down most promising avenues.

For many companies it has become clear that perhaps the most promising opportunity for new development is in capitalizing the skills and facilities developed on wartime contracts. For example, more than one concern is finding that its new war product can readily be turned to post-war commercial usefulness.

A particularly fascinating aspect of these developments has been the ingenuity exercised by some organizations in shortening the time of new
(Continued on page 22)

POWERING THE COLUMBIA RIVER, BONNVILLE, ORE.—PHOTO FROM FREDERIC LEWIS



THE current national product statistics and their use in interpreting the general business and economic situation are presented in this article. It reveals what light the statistics throw on the changes which rearmament and war have wrought in the national economy. The nature of the statistics was explained in the February issue.

SHERMAN CREEK POWER HOUSE, NEW YORK CITY, WITH NEW YORK CENTRAL TRACKS AND HARLEM RIVER IN FOREGROUND—CHARLES PHELPS CUSHING

NATIONAL PRODUCT STATISTICS HELP INTERPRET WARTIME ECONOMY

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IN an article in the February DUN'S REVIEW the conceptual framework of national product and income statistics was discussed, and it was shown that these statistics present a summary picture of the economy in terms of the major transactions that are important in appraising the economic situation. The purpose of the current article is to introduce the reader to the statistics themselves, and to show what light they throw on the changes which rearmament and war have wrought in the economy. This review, covering one of the most spectacular and dynamic periods in our economic history, may serve as an example of how the statistics can be used currently in interpreting the general business and economic situation.

The nation is fighting a total war. Although we have thus far been spared sacrifices as great as those of our allies, there is hardly an aspect of our daily activities that is not in some way af-

fectured by the war effort. The impact of the war cannot, of course, be measured in quantitative terms. But in the realm of economics the vastness of the war program finds a succinct statistical reflection in the amount of our national production that is being absorbed by war expenditures as shown in Table I. From a figure of \$1.4 billion in 1939, Government purchases of war goods and services increased to an annual rate of about \$81 billion in the first half of 1943. The 1943 dollar value of Government war purchases alone nearly equalled the total value of gross national product in 1939, that is, the combined flow of goods and services to Government, to business for purposes of gross capital formation, and to consumers.

Another over-all glimpse of the magnitude of the war effort is obtained by calculating the percentage of gross national product absorbed by war expenditures. As can be seen from the fol-

lowing table, whereas war expenditures accounted for only 2 per cent of gross national product in 1939 and only 10 per cent as late as 1941, they were taking 45 per cent during the first half of 1943.

Year	War Expenditures as Per Cent of Gross National Product
1939	2
1940	3
1941	10
1942	32
1943 first half	45

This, of course, is not a precise measure—primarily because the distinction between war and non-war expenditures must be quite arbitrary. Nonetheless, it does give a workable impression of both the magnitude and speed of our economic mobilization for total war.

We turn now to the details of the gross national product to see what changes made these war expenditures possible.

Table 1 shows that the astronomical increase in war expenditures has been paralleled by a corresponding expansion in the value of total production. In the first half of 1943 gross national product was flowing at the annual rate of \$181 billion, or more than twice the total value of production in 1939. It is well known, of course, that some of this increase does not represent a growth in physical volume of goods and services, but a rise in their prices. It is extremely difficult to disentangle the influence of these two factors in a period which covers the transition from a peacetime to a war economy. Rough and tentative measures indicate, however, that more than two-thirds of the increase reflects real growth and less than one-third the effects of inflation. This is surely an impressive achievement.

The record is, moreover, one of uninterrupted expansion which even the knotty technical problems of conversion confronting industry in the Winter and Spring of 1941-1942 failed to affect. Only in 1943, when the combined requirements of war production and of the armed forces came near to exhausting the supply of manpower that was available, did there occur a levelling off in the expansion of national product. The flexibility shown by our national plant over this period is fully as impressive as the size of its productive capacity.

This expansion of total output is the most important single fact in explain-

ing the manner in which the present level of war production was obtained. But diversion of men, plant, and materials from civilian types of output—mainly capital formation and consumers' durable goods—has constituted another source whose strategic importance is only inadequately reflected by the absolute magnitudes involved.

Until the Winter of 1941 rearmament did not restrict the civilian economy. On the contrary, the demand for munitions created by the limited rearmament program and the incomes generated by their production, acted as a general stimulus on an economy which was suffering from under-employment of men and equipment. In this phase of the rearmament program civilian production expanded along with military production. Private gross capital formation increased by 75 per cent between 1939 and 1941. During 1940 and 1941 more than \$5 billion worth of residential housing and \$4.5 billion of industrial and commercial construction were built. Purchases of machinery and equipment amounted to \$16 billion. More than \$5 billion were added to business inventories and more than \$2 billion to our claims on foreign account.

Consumer expenditures were also buoyant. Purchases of non-durable goods and services increased steadily. The largest percentage expansion, however,—over 40 per cent between 1939 and 1941—occurred in purchases of consumers' durable goods. During 1940 and 1941 consumers bought more

than \$16.5 billion worth of durable goods, mainly automobiles, furniture, furnishings, and household equipment.

In the critical months of 1941, the high level of capital formation and consumer durable goods production was viewed with increasing misgivings by those who felt that the resources which went into this production should be used to turn out war goods. This was, no doubt, a correct evaluation of the situation. It is obvious now that the nation was not quick in realizing either the magnitude or urgency of the military task that was to be forced upon it. Fortunately, however, the delay did not turn out to be fatal. And in retrospect it is even possible to see certain compensating factors.

Diversion Speeded

A good part of the capital that was accumulated in this period proved to be readily convertible to war production and consequently was not lost to the war effort. Also, the lavish additions to the stock of capital in 1940 and 1941 made it possible in 1942 and 1943 to divert more current production from the civilian economy than might otherwise have been compatible with maintaining a practicable standard of civilian living.

The diversion of resources from civilian to war production occurred on a sweeping scale in the Winter of 1941-1942. With the acceleration of the war program after Pearl Harbor, the Indian Summer which the civilian economy was enjoying came to an abrupt end. It was no longer possible to fill the needs of the enlarged and accelerated war program through the expansion of total production alone. Civilian output had to be curtailed. Sharp reductions occurred in the area of private gross capital formation and in the production of consumer durable goods. From a total of \$5.4 billion in 1941 private construction was cut to \$1.6 billion in the first half of 1943. Private purchases of producers' durable equipment declined from \$8.9 billion to \$2.3 billion. And purchases of consumer durable goods fell from \$9.1 billion to \$6.4 billion.

These sharp reductions are due to the fact that either the goods involved could be used in the war effort directly or that for technical reasons the industries producing them were convertible to war production. The absolute magnitude of the reductions fails to give an adequate picture of their importance

MORGAN BANK, STOCK EXCHANGE, AND STATUE OF WASHINGTON ON STEPS OF OLD SUB-TREASURY, NEW YORK CITY—CHARLES PHELPS CUSHING



I. GROSS NATIONAL PRODUCT OR EXPENDITURE, 1939-1943¹

(Billions of dollars)

	1939	1940	1941	1942	1943 ²
GROSS NATIONAL PRODUCT OR EXPENDITURE	88.6	97.0	119.2	151.7	181.3
GOVERNMENT EXPENDITURES FOR GOODS AND SERVICES	16.0	16.7	25.7	61.7	92.3
Federal Government	7.9	8.8	17.8	54.3	85.5
War	1.4	2.7	12.5	49.3	81.1
Non-war	6.5	6.1	5.3	5.0	4.4
State and local Government	8.1	7.9	7.8	7.4	6.8
OUTPUT AVAILABLE FOR PRIVATE USE	72.6	80.4	93.5	89.9	89.0
Private gross capital formation	10.9	14.7	19.0	8.0	— .7
Construction	3.6	4.3	5.4	2.9	1.6
Residential	2.0	2.4	2.9	1.5	— .7
Other	1.6	2.0	2.5	1.5	.8
Producers' durable equipment	5.5	6.9	8.9	5.1	2.3
Net change in business inventories	— .9	1.8	3.5	— .6	— 3.7
Net exports of goods and services	.8	1.4	— .9	— .4	— .9
Net exports and monetary use of gold and silver	.2	.3	.2	.1	.8
Consumers' Goods and Services	61.7	65.7	74.6	82.0	89.7
Durable goods	6.4	7.4	9.1	6.4	6.4
Non-durable goods	32.6	34.4	40.1	48.0	54.4
Services	22.7	23.9	25.4	27.6	28.9

¹ For detailed notes on the statistical estimates contained in Tables I to IV see *Survey of Current Business*, March 1943.

² First half annual rates shown in each table.

³ Less than \$50,000,000.

II. NATIONAL INCOME BY DISTRIBUTIVE SHARES, 1939-1943

(Billions of dollars)

	1939	1940	1941	1942	1943
TOTAL NATIONAL INCOME	70.8	77.8	95.6	119.8	143.1
SALARIES AND WAGES	48.1	52.4	64.6	83.7	101.1
NET INCOME OF PROPRIETORS	11.2	12.2	15.5	20.1	24.0
Agricultural	4.3	4.4	6.2	9.7	13.1
Non-agricultural	6.9	7.8	9.3	10.4	10.9
INTEREST AND NET RENTS	7.4	7.5	7.9	8.4	9.3
NET CORPORATE PROFITS	4.2	5.8	7.7	7.6	8.6
Dividends	3.8	4.0	4.4	4.0	3.9
Undistributed profits	.4	1.8	3.3	3.6	4.7

III. DISPOSITION OF INCOME, 1939-1943

(Billions of dollars)

	1939	1940	1941	1942	1943
NATIONAL INCOME	70.8	77.8	95.6	119.8	143.1
Add: Transfer payments	2.4	2.6	2.5	2.6	2.9
Less: Corporate savings	.4	1.8	3.3	3.6	4.7
Contributions to social insurance funds	2.0	2.1	2.6	3.3	3.7
Equals: Income payments to individuals	70.8	76.5	92.2	115.5	137.6
Less: Personal taxes and non-tax payments	3.1	3.3	4.0	6.6	14.7
Equals: Disposable income of individuals	67.7	73.2	88.2	108.8	122.9
Less: Consumer expenditures	61.7	65.7	74.6	82.0	89.7
Equals: Net savings of individuals	6.0	7.5	13.7	26.9	33.2

IV. RELATION OF GROSS PRODUCT TO NATIONAL INCOME, 1939-1943

(Billions of dollars)

	1939	1940	1941	1942	1943
NATIONAL INCOME	70.8	77.8	95.6	119.8	143.1
Business tax and non-tax liabilities	10.4	12.4	18.3	24.0	27.2
Depreciation and depletion charges	6.2	6.4	6.9	7.8	8.0
Other business reserves	.8	.9	1.0	1.0	1.0
Capital outlays charged to current expense	— .7	— .9	1.5	1.5	1.4
Inventory revaluation adjustment	— .4	— .4	— 3.2	— 2.1	— 1.2
Adjustment for discrepancies	0	— .9	— .8	— .3	+1.8
GROSS NATIONAL PRODUCT OR EXPENDITURE	88.6	97.0	119.2	151.7	181.3

to the war production program. It was not merely a question of adding a few billions to war production by cutting civilian production by corresponding amounts. The specialized materials, plant, equipment, and skills liberated in this manner for war production were of strategic importance to the war program. Without them shortages and bottlenecks would have developed which would have retarded the program quite out of proportion to the magnitudes that are suggested by the reduction of durable capital and consumers' goods available to civilian uses.

In view of the substantial reduction in private gross capital expenditures it might be supposed that the nation's plant and equipment were being seriously run down. Government expenditures for capital facilities were unusually large in 1942, however. According to best indications, nearly one-half of the total output of producers' durable equipment was purchased by the Government. Thus, in the face of the sharp decline in private purchases, total production fell only slightly below the all-time records established in 1941. The bulk of the construction of industrial facilities consisted of Government projects. In spite of the decline in private construction, the total in 1942 was nearly double that of 1941 and far exceeded any previous level.

Better Capital Plant

This Government construction and equipment is not lost permanently to the civilian economy. For, although there can be no doubt that some of it is too specialized to be useful in peacetime production, this is probably not true of the bulk of Government capital facilities. Just as a significant part of private plant and equipment proved to be readily convertible to war production in 1941-1942, it may be anticipated that Government capital facilities will be convertible to civilian use after the war. Thus, although the private stock of fixed capital might well decline in the course of war, it would not be surprising if, after the difficulties of transition are overcome, the nation had a better capital plant after the war than at its beginning.

Of all the non-war components of gross national product only consumer expenditures were higher in 1943 than in 1939. Measured in terms of current dollars they reached a record total of \$89.5 billion which was 45 per cent

(Continued on page 26)

THE TREND OF BUSINESS

SUMMARY: Production continues to rise in spite of minor cutbacks and changeovers. Inventories have changed little from the levels of 1943. Employment is at the lowest level in almost two years; payrolls and consumer incomes are rising further. Retail volume is increasing only moderately from the somewhat lower January level.

THE over-all pattern of industrial activity has been but little disturbed by war contract cancellations or by cutbacks; to a considerable extent these have been offset by new orders, according to various industrial reports.

As a consequence total industrial output expanded in January, reflecting the high tempo of war production. Many major industries continue to produce at levels higher than the last few record months. The high rate of activity which prevails in war plants has resulted in a still further expansion in munitions output, with emphasis on aircraft, ship, landing craft, heavy truck, and communication and electronic equipment production. The number of airplanes produced in January totaled 8,789. Although in number airplane production was thirteen planes below the December figure, in weight plane output reached 90,300,000 pounds, exceeding the previous month's total of 85,700,000 pounds, which reflects an increased emphasis on the heavier combat types.

Shipyard activity and aircraft and artillery requirements have been influential in boosting steel demands. Steel plate shipments in January were at a record high, 1,173,164 tons. Ship output numbered 12 in January, 84 less than the December peak, due to the increase in construction of "special" types rather than of Victory ships. The recent large rise in demand for steel has resulted from an increase in shipbuilding schedules, in landing-craft construction, and in activity in tinplate. Slab zinc stocks reached a new high of 194,311 tons, the fifteenth consecutive monthly increase; 20,645 tons over December, and almost triple the 1939 average. The large military needs will absorb about all of the synthetic rubber output which attained a new high in January of 50,000 tons indicating a gradual month-to-month increase.

Peak war demands are falling off in

some fields of production. As a result, such metals as aluminum, copper, zinc, and lead are more easily available. The new order by the WPB easing restrictions on steel, copper, and ferro-alloys, however, does not effect much change; in many instances the supply of products made from the metals is tighter than that of the raw materials. Machine tool shipments have dropped to \$60,680,000, a wartime low, still several times pre-war levels but less than half the December 1942 peak of \$131,960,000. Wool supplies have likewise eased, as military needs were relaxed.

The high rate of activity on Government projects has further curtailed efforts of manufacturers to produce civilian goods. Not only are raw material stocks low, but finished goods inventories are likewise tight. Rayon output, now about 5 per cent over last year, continues filling increasingly heavy war needs. Chemicals, plastics, leather, lumber, and paper supplies remain exceedingly tight. The restriction limiting the use of metals for household equipment has been eased for a selected few items.

Inventories—The general pattern of production is reflected in the inventory picture. Business inventories, including manufacturers, wholesalers, and retailers, at the end of 1943 were about 39 per cent greater than at the end of 1939. Durable goods inventories have declined considerably, while non-durable goods established increases. War industries continue to register the largest inventory rises, while stocks of non-war manufacturing plants fall off. For each of the broad divisions—manufacturing, wholesaling, and retailing—inventories are low in proportion to sales volume; roughly such ratios are down to some two-thirds of what they were three years ago. Wholesalers' inventories, while 12 per cent above the 1939 average in dollar value, were below the 1939 levels in physical volume.

Industrial Production

Seasonally Adjusted Index, 1935-1939 = 100, Federal Reserve Board

	1941	1942	1943	1944
January	143	181	227	246
February	147	183	232	
March	152	186	235	
April	149	189	237	
May	160	191	238	
June	164	193	236	
July	167	197	240	
August	167	204	242	
September	169	208	245	
October	172	215	247	
November	174	220	247	
December	176	223	245	

Employment

Millions of Persons, U. S. Bureau of Census

	1941	1942	1943	1944
January	45.3	49.7	51.8	50.4
February	45.7	50.2	51.7	
March	45.8	50.9	51.7	
April	46.8	51.4	51.8	
May	48.5	52.3	51.6	
June	50.0	53.7	53.9	
July	50.0	54.5	54.6	
August	51.0	54.8	54.2	
September	50.3	53.7	52.8	
October	50.2	54.2	52.1	
November	50.2	53.5	51.7	
December	51.0	53.1	51.0	

Business Inventories

Billions of Dollars, U. S. Department of Commerce

	1941	1942	1943	1944
January	21.49	27.55	27.78	26.0
February	21.64	27.78	27.44	
March	22.14	28.12	27.54	
April	22.68	28.82	27.36	
May	23.04	29.15	27.41	
June	23.46	29.37	27.03	
July	23.99	29.23	27.12	
August	24.44	29.10	27.58	
September	25.06	29.03	27.81	
October	24.92	28.85	27.98	
November	26.73	28.73	28.14	
December	27.08	28.03	26.79	

Retail Sales

Seasonally Adjusted Index, 1935-1939 = 100; U. S. Dept. of Com.

	1941	1942	1943	1944
January	133.1	153.2	159.2	165.0
February	137.1	148.3	170.4	
March	133.9	147.5	169.2	
April	137.9	146.0	159.2	
May	140.0	143.4	155.3	
June	144.4	141.8	163.0	
July	149.1	147.6	162.5	
August	155.0	150.3	163.7	
September	147.4	150.9	162.7	
October	141.6	154.3	167.3	
November	149.0	158.2	175.5	
December	152.1	153.9	171.1	

Cost of Living

Index, 1935-1939 = 100; U. S. Bureau of Labor Statistics

	1941	1942	1943	1944
January	100.8	112.0	120.7	124.2
February	100.8	112.9	121.0	
March	101.2	114.3	122.8	
April	102.2	115.1	124.1	
May	102.9	116.0	123.9	
June	104.6	116.4	124.8	
July	108.5	117.0	123.9	
August	106.2	117.5	123.4	
September	108.1	117.8	123.9	
October	109.3	119.0	124.4	
November	110.2	119.8	124.2	
December	110.5	120.4	124.4	

Wholesale Commodity Prices

Index, 1936 = 100; U. S. Bureau of Labor Statistics

	1941	1942	1943	1944
January	80.8	96.0	101.9	103.0
February	80.6	96.7	102.5	
March	81.5	97.6	103.4	
April	83.2	98.7	103.5	
May	84.9	98.8	104.1	
June	87.1	98.6	103.8	
July	87.8	98.7	103.2	
August	90.3	99.2	103.1	
September	91.8	99.6	103.1	
October	92.4	100.0	103.0	
November	92.5	100.3	102.9	
December	93.6	101.0	103.2	

Industrial Stock Prices

Monthly Average of Daily Index; Dow-Jones

	1941	1942	1943	1944
January	130.17	111.11	121.52	137.74
February	121.68	107.28	127.40	
March	122.52	101.62	131.15	
April	119.10	97.79	124.11	
May	116.44	98.42	128.60	
June	114.57	103.75	141.25	
July	127.57	106.24	142.90	
August	126.67	99.88	136.34	
September	127.35	107.41	138.90	
October	121.18	113.51	138.25	
November	116.91	115.31	132.66	
December	110.67	117.16	134.57	

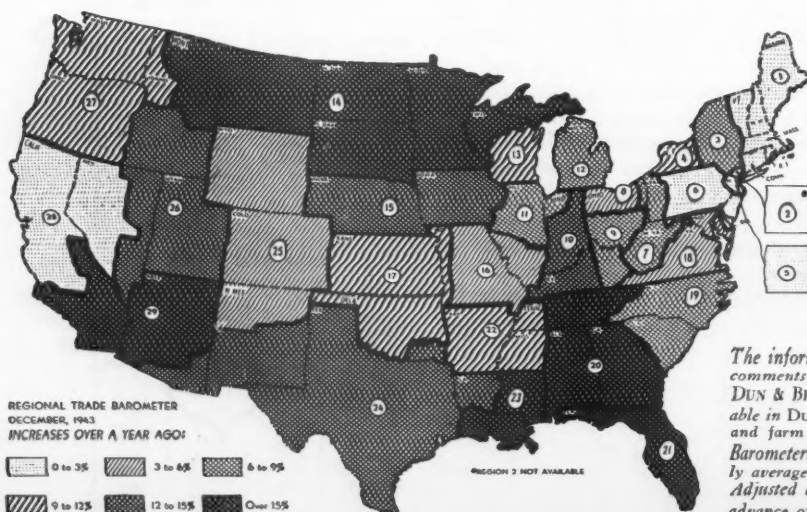
* Approximation; figure from quoted source not available.

REGIONAL TRADE REPORTS

Barometers compiled by L. D. H. Weid

HIGHLIGHTS OF TRADE ACTIVITY

Dec. 1943	Change from Nov. '43 %	Change from Dec. '42 %	
UNITED STATES			
151.2	- 9.7	+ 8.2	Monthly barometer declined from record peak in previous month to 151.2. 16 regions had gains greater than country, 13 were smaller.
1. NEW ENGLAND			
121.4	- 5.9	+ 1.5	Industrial production continued centered on war industries; employment above last year; scattered strikes affected textile manufacturing.
2. NEW YORK CITY			
Index is unavailable.			
Retailing edged upward after post-holiday slump. Wholesaling remained high aided by heavy Spring reordering. Employment above last year.			
3. ALBANY, SYRACUSE			
139.7	- 4.0	+ 6.2	Employment and payrolls in retail firms below last year; industrial employment about even with a year ago. Retail trade registered gains from 5 to 10% over the previous year.
4. BUFFALO, ROCHESTER			
134.8	- 5.5	+ 9.3	Yearly barometer increase exceeded country gain for first time in more than a year, monthly comparison also favorable. Industrial employment in major cities fluctuated only slightly from last year's high figures.
5. NORTHERN NEW JERSEY			
115.4	- 10.1	+ 1.4	Yearly barometer increase one of smallest in country. Newark wholesale trade below last year. Industrial employment gains narrowing except in Paterson; other cities about even.
6. PHILADELPHIA			
124.0	- 10.4	+ 1.9	Pennsylvania records 5% yearly gain in employment for 1943; payrolls up 23%, man-hours worked up 10%; Delaware gains more pronounced.
7. PITTSBURGH			
138.4	- 8.1	+ 6.0	Pittsburgh payrolls registered one of largest increases in State over last year; employment gains narrowing. Steel mills operating at high rate.
8. CLEVELAND			
153.0	- 13.4	+ 4.3	Monthly and yearly barometer readings compared unfavorably with national changes. Manufacturing employment in major cities recorded gains from 5 to 10% over last year; monthly increases also registered.
9. CINCINNATI COLUMBUS			
160.3	- 11.5	+ 8.5	Satisfactory condition reported for stock, feed, and winter grains. Business activity in region at very high levels. Cincinnati industrial employment up about 10% over last year; Columbus and Dayton up 5%.
10. INDIANAPOLIS, LOUISVILLE			
187.4	- 14.0	+ 12.9	Wholesale trade reported about even with last year. Lack of good pasturage reduces winter lamb crop. Tobacco yield good; returns high. Industrial employment continues to record excellent gains.
11. CHICAGO			
139.6	- 5.4	+ 7.1	Livestock markets continued flooded with record number of hogs, due to feed shortages. Industrial employment shows good gains over last year.
12. DETROIT			
154.7	- 13.0	+ 6.0	Substantial gains in industrial employment and payrolls recorded in area; State reports employment up 9%, payrolls up 15%.
13. MILWAUKEE			
190.0	- 0.6	+ 11.9	Prospects of Spring grains, pasture, and early hay crops unfavorable due to winter freezing. Milk production slightly below last year.
14. MINNEAPOLIS, ST. PAUL			
172.1	- 1.5	+ 19.9	Subsoil conditions in some sections best in many years. Gains in industrial employment and payrolls continue high. Montana retail trade reports good gains over last year, but leveling off from previous highs.
15. IOWA, NEBRASKA			
133.2	- 14.2	+ 13.7	New war plants in Lincoln, Neb., area quickly absorbed seasonal layoffs. Iowa employment up about 5% over last year; payrolls up 20%. Gains from 5 to 12% reported in wholesale trade.
16. ST. LOUIS			
145.2	- 10.5	+ 4.2	Milk production in St. Louis area for the year 12% above last year. Barometer readings compare unfavorably with country.
17. KANSAS CITY			
175.5	- 6.6	+ 11.0	1943 livestock marketings above 1942; range, crop, and livestock condition below last year. Wheat acreage planted about 35% above a year ago.
18. MARYLAND, VIRGINIA			
178.9	- 13.9	+ 4.5	Crop conditions reported better than a year ago. Maryland industrial employment for the year 3% over 1942; payrolls up 10%. Monthly and yearly barometer readings less favorable than country.
19. NORTH, SOUTH CAROLINA			
201.4	- 4.0	+ 6.9	Textile mills running at capacity with sufficient Government orders to keep them busy for many months. Employment and payrolls well above last year.
20. ATLANTA, BIRMINGHAM			
235.7	- 6.1	+ 18.3	Yearly barometer gain more than double country increase. Total crop production off due to early freezing weather. Serious manpower shortages in many sections; Atlanta now on critical labor area list.
21. FLORIDA			
248.2	- 16.0	+ 28.7	Citrus fruit crop reported in excellent condition; lime output about 8% above last year. Marketing of oranges and tangerines continues heavy.
22. MEMPHIS			
193.3	- 4.4	+ 10.4	Monthly barometer registered only gain in nation. Arkansas crude oil output running about 5% above last year. Memphis industrial employment records good gain over a year ago.
23. NEW ORLEANS			
180.8	- 4.9	+ 21.0	Retail trade gains in New Orleans, Baton Rouge, and Lake Charles high; wholesale trade good. Louisiana crude oil output 6% above last year.
24. TEXAS			
210.4	- 5.0	+ 12.1	Winter wheat and small grain crops in satisfactory condition. Grapefruit output even with last year; orange up 22%. Texas crude oil output 43% above last year. Industrial employment records excellent gains.
25. DENVER			
168.4	- 14.6	+ 4.4	Winter wheat condition below last year; livestock reported in fair condition. Industrial employment about even or slightly below last year.
26. SALT LAKE CITY			
200.1	- 1.8	+ 12.7	Salt Lake City wholesale trade unchanged from a year ago. Utah wheat output exceeded last year. Gains in industrial employment narrowing.
27. PORTLAND, SEATTLE			
194.8	- 17.5	+ 9.7	Greatest monthly barometer decline here. Portland wholesale trade 40% above a year ago. Seattle up 5%. Crop and livestock returns excellent. Portland industrial employment high; gains in other cities narrowing.
28. SAN FRANCISCO			
163.9	- 12.4	+ 2.8	Orange crop in San Joaquin Valley largest ever produced. Average 1943 employment in California 31% above 1942; rate of expansion, however, reported narrowing; payrolls exceeded 1942 by 50%.
29. LOS ANGELES			
157.7	- 15.4	+ 15.3	Arizona orange and grapefruit output well above last year; California registers small gains. Industrial employment remains high in most cities. Farm wages little changed from three months ago but well above last year.



Despite the rise in inventories from the middle of 1943, retailers' stocks are about 24 per cent below what they were at the end of 1942; however they are only slightly less than 1 per cent below the 1939 level.

Employment—The upward and downward movement in war production schedules are reflected in the employment pattern of war industries and the areas in which these plants are located. Employment in munitions plants devoted to the all-out war effort has increased about 5½ million since the middle of 1940. However, the over-all employment total in January dropped to the lowest level in nearly two years. The December to January drop in manufacturing employment was about 3½ times greater than the average year-end change. Declines were reported in the transportation equipment, lumber, automotive, and iron and steel divisions. Many plants are maintaining high production levels with fewer workers; manufacturing efficiency is higher.

Although almost all sections of the country had labor shortage areas in the beginning of 1944, the distribution was uneven. The number of acute labor shortage areas has gradually declined over the past few months, after a large rise in most of 1943. This movement reflects a further easing in the labor situation and an improvement in labor efficiency.

Income—While employment has decreased, payroll payments continue upward. Although manufacturing wages in December declined slightly from November, they were 14 per cent above the comparable period last year and more than triple the 1939 average. January payrolls increased, returning to earlier high levels similar to the industrial production pattern.

Income payments to individuals rose to a record monthly level of \$13,460,000,000 in December, 8 per cent above a month earlier and 17 per cent above December 1942. The high monthly total carried income payments to \$151,000,000,000 for 1943, which was more than twice the 1939 level. The rate of increase in the last few months has tapered off from the higher monthly gains earlier in 1943.

Trade—In dollars, the rise in retail

The information on regional trade activity is based upon comments of business men, gathered and weighed by local DUN & BRADSTREET offices. More detailed data are available in DUN'S STATISTICAL REVIEW. Payroll, employment, and farm income figures are from Government sources. Barometers used are adjusted for seasonal variation; monthly average for the years 1928-1932 inclusive equals 100. Adjusted and unadjusted barometers may be obtained in advance of publication by arrangements with the editors.



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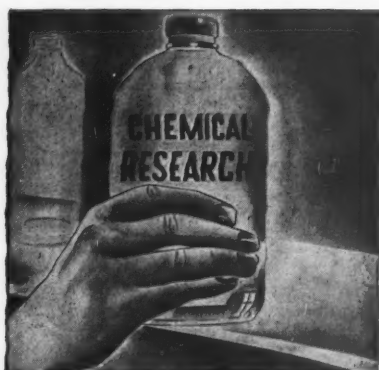
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WHOLESALE FOOD PRICE INDEX

The index is the sum of the wholesale price per pound of 31 commodities in general use.

1944	1943	1944
Feb. 22.. \$4.03	Feb. 23.. \$4.06	High \$4.03 Feb. 3
Feb. 15.. 4.03	Feb. 16.. 4.06	Low 3.99 Jan. 4
Feb. 8.. 4.02	Feb. 9.. 4.05	High \$4.12 May 18
Feb. 1.. 4.03	Feb. 2.. 4.04	Low 4.00 Dec. 21
Jan. 25.. 4.02	Jan. 26.. 4.03	

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities. (1930-1932 = 100).

Week Ending:	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Feb. 26..	172.37	Holiday	172.39	172.49	172.48
Feb. 19..	172.12	172.07	172.22	172.28	172.36	172.42
Feb. 12..	171.82	171.87	171.93	171.97	172.02	Holiday
Feb. 5..	171.70	171.77	171.85	171.94	171.85	171.78
Jan. 29..	171.55	171.52	171.53	171.65	171.64	171.67

1944	1943	1942
High 172.49 Feb. 24	173.30 Oct. 15	166.02 Dec. 30
Low 170.77 Jan. 4	166.61 Jan. 2	151.54 Jan. 2

BUILDING PERMIT VALUES—215 CITIES

Geographical Division:	1944	1943	% Change
New England.....	\$2,003,637	\$1,419,443	+ 41.2
Middle Atlantic.....	3,176,955	4,378,335	- 27.5
South Atlantic.....	2,888,231	6,823,307	- 72.3
East Central.....	8,030,831	5,344,354	+ 50.3
South Central.....	4,065,183	1,372,947	+ 261.6
West Central.....	2,068,287	1,012,168	+ 3.0
Mountain.....	657,167	321,888	+ 104.2
Pacific.....	11,302,893	7,247,026	+ 56.0
Total U. S.....	\$33,992,794	\$28,810,468	+ 18.0
New York City.....	\$700,692	\$485,586	+ 44.3
Outside N. Y. C.....	\$33,292,102	\$28,324,882	+ 17.5

spending has fallen short of the expansion in total consumer income. The retail trade total in 1943 was 42 per cent of national income, while in 1939 it was about 60 per cent of income. Last Fall heavier purchasing brought this ratio up slightly for awhile. Tentative estimates for January and February, 1944, indicate that retail volume is again in the neighborhood of 40-45 per cent of income as it was during most of last year.

Most recent reports on consumer buying indicated that sales gains in January and early February narrowed; an expected reaction from the high levels at the end of last year. The index of retail sales, adjusted seasonally, stood at approximately 4 per cent above January 1943 and about 65 per cent above the 1935-1939 average, reflecting higher prices. Early consumer interest in advanced Spring styles, a result of the pre-Easter attention in ready-to-wear and accessories, was principally responsible for a gain in retail volume. However, compared with last year, when there was a rush buying wave following the announcement in early February of shoe rationing and of canned goods on March 1, retail sales gains in the first two months of 1944 were more moderate. Volume was influenced to some extent by incomplete assortments and more selectivity on the part of purchasers.

Prices—Continuing the tendency of recent months, wholesale commodity prices remained steady in January and

early February, with few exceptions. The commodity index rose about 1 per cent above last year. Higher prices for livestock, fruits, and vegetables accounted for the slight variations during January. Farm prices at the end of January reached the highest level since last November. Egg prices declined seasonally. In industrial commodities prices of coal and paint materials increased, while those of metals and metal products declined. A significant price rise in early February was the OPA increase of wood pulp prices, the first raise in over three years.

Retail prices advanced negligibly in January, with increases in the cost of women's and infants' ready-to-wear responsible for the slight gain. Prices of men's apparel decreased (Fairchild index). Retail food prices in January were 3 per cent above the similar period in 1943, 10 per cent above 1942, and 44 per cent above the 1939 level (U. S. Bureau of Labor Statistics).

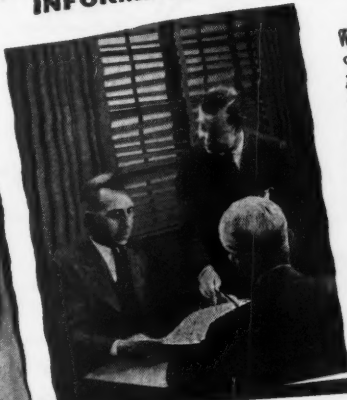
Living costs remained steady in January, as measured by the NICB index, and was 2 per cent above last year. The fractional rise in the cost of clothing, fuel and light, and sundries was offset by a decrease in foods costs.

Finance—The amount of money in circulation at the end of January totalled \$20,513,131,023. The January increase was the smallest monthly increase in over a year. This figure represented a gain of less than 1 per cent over a month earlier and 32 per cent above the comparable period in 1943. This continuous expansion carried money in use to three times what it was in 1939 and four times the 1929 level. Commercial, industrial, and agricultural loans totalled \$6,393,000,000 by the first week of February, a gain of 8 per cent

BANK CLEARINGS—INDIVIDUAL CITIES (Thousands of dollars)

	1944	1943	% Change
Boston.....	1,605,112	1,435,358	+11.8
Philadelphia.....	2,759,000	2,504,000	+10.2
Buffalo.....	251,148	230,700	+21.5
Pittsburgh.....	1,087,780	961,759	+13.1
Cleveland.....	933,988	819,823	+13.9
Cincinnati.....	498,953	431,320	+15.7
Baltimore.....	650,505	570,650	+14.0
Richmond.....	328,310	297,227	+10.5
Atlanta.....	508,800	383,100	+32.6
New Orleans.....	365,597	331,615	+10.2
Chicago.....	2,068,463	1,800,538	+14.3
Detroit.....	1,684,575	1,381,028	+22.0
St. Louis.....	758,664	642,913	+18.0
Louisville.....	324,855	293,105	+10.8
Minneapolis.....	621,466	480,514	+29.3
Kansas City.....	851,622	732,045	+16.3
Omaha.....	339,654	272,040	+24.9
Denver.....	250,748	204,554	+22.6
Dallas.....	482,244	410,976	+17.3
Houston.....	424,537	364,084	+16.3
San Francisco.....	1,184,683	1,020,462	+16.1
Portland, Ore.....	314,322	285,198	+10.2
Seattle.....	397,733	340,805	+13.8
Total 23 Cities.....	18,812,759	16,332,714	+15.2
New York.....	23,293,346	18,402,566	+26.6
Total 24 Cities.....	42,106,105	34,735,280	+21.2
Daily Average.....	1,684,244	1,389,411	+21.2

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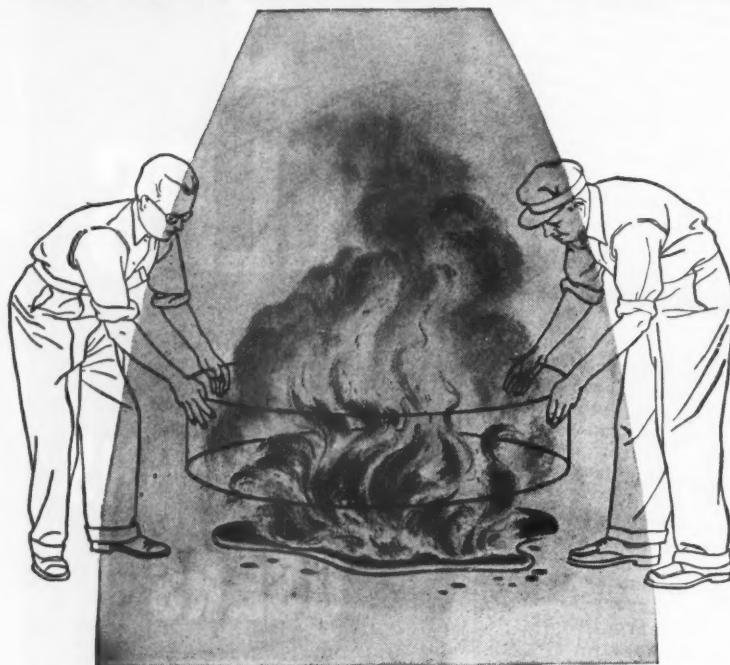
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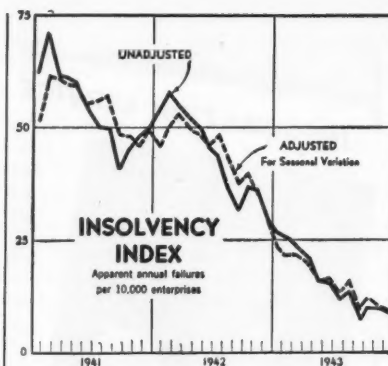
YOUR KIND OF FIRE! "Automatic's" Proving Ground is a fire-testing laboratory. Here your kind of fire hazard is reproduced and the fire protection system best for you is put to test. You *know* before you buy. An "Automatic" Engineer will give you the complete details—no obligation.

**"AUTOMATIC"
FIRE-FOG**

- ★ IT BLANKETS
- ★ IT ISOLATES
- ★ IT QUENCHES

**"AUTOMATIC" SPRINKLER CORPORATION
OF AMERICA ★ YOUNGSTOWN, OHIO**

*** OFFICES IN PRINCIPAL CITIES ***



THE FAILURE RECORD

	Jan. 1944	Dec. 1943	Jan. Per Cent 1943	Change
DUN'S INSOLVENCY INDEX*				
Unadjusted	120	145	458	—74
Adjusted, seasonally . .	(Temporarily suspended)			
NUMBER OF FAILURES . .				
Under \$5,000	50	63	233	—79
\$5,000—\$25,000	53	63	177	—70
\$25,000—\$100,000	14	16	42	—67
\$100,000 and over	3	4	6	—50
NUMBER BY INDUSTRY GROUPS				
Manufacturing	31	28	79	—61
Wholesale Trade	13	16	31	—18
Retail Trade	50	68	267	—81
Construction	13	20	53	—76
Commercial Service	13	13	28	—54
(Liabilities in thousands)				
CURRENT LIABILITIES . . .	\$1,708	\$2,055	\$5,515	—70
TOTAL LIABILITIES	\$1,708	\$5,115	\$5,793	—71

*Apparent annual failures per 10,000 enterprises.

over last year. Excess reserves in the first week of February amounted to \$1,550,000,000, 5 per cent below the similar period in 1943, reflecting a shift in deposits from private to Government war loan accounts.

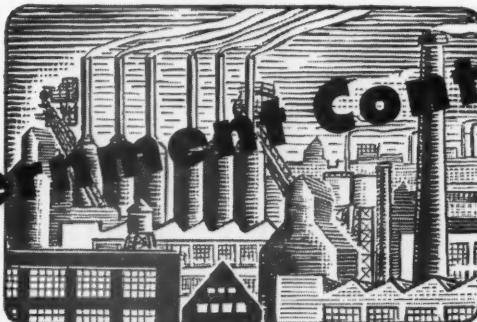
The slow trading in stocks at the end of January extended into early February. Sales in the security markets in mid-February reached 1,026,340 shares, the heaviest volume since January 5 of this year. Bonds were active with turnover best since May 1943. Rail trading was up and many bonds reached new highs.

Failures—Month by month, failures make new low records. In January 1943 they were only a quarter as numerous as in the previous January. This present low number reflects the cumulative effect of two years of diminishing numbers of business openings. The situation is fairly uniform all over the country; in January nearly half of the States and half of the twenty-five largest cities reported no failures. The sharpest decline from a year ago was in small and small-to-medium failures with debts under \$25,000, and—industry-wise—in retail trade.

FURTHER INFORMATION

DUE to wartime restriction on use of paper and the desire to conserve as much space as possible, the statistical series originally compiled by the publishers and summarized in the small type in these columns are necessarily given in very abbreviated form. More detailed data on the various subjects are published each month in DUN'S STATISTICAL REVIEW. The annual subscription to DUN'S STATISTICAL REVIEW is \$1 a year.

Government Contracts



UNIT OF THE CCH WAR LAW SERVICE



Renegotiation? Amendment? Termination? Here is that "red-hot" regulation, that latest ruling, that brand-new form, that last-minute change or development. For sound planning, accurate decision, trouble-free action in wartime business relations with the federal government, the safe, the sensible practice is to follow *today's* law, *today's* procedure as set forth in the GOVERNMENT CONTRACTS Unit of the CCH War Law Service.

Loose leaf, kept up to the minute always, it provides at all times the "last word" in law or regulation, the very latest in form or ruling. And not the bare announcement of its existence, but the full text usually of the actual material itself as released by the authorities!

Subscribers for *this* Service always know the *what-to-do* and *why-to-do-it* of Army Procurement Regulations (PR's), Ordnance Procurement Instructions (OPI's), Navy Regulations, allowable costs, VT loans, modification, renegotiation, termination, and all the rest.



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PUBLISHERS OF LOOSE LEAF LAW REPORTING SERVICES

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The Sales Manager had no time for customers!



The customers began to ask if Sales Manager Bill Smith had died. He used to get around in the trade, worked with his salesmen, had first-name acquaintance with customers from New York to the coast.

But as the business grew, he kept only one contact—with his desk. The customers didn't like it, nor did Bill. But what could he do? Salesmen's reports, details—records of states sales, type and kind, commissions, priorities, shipments kept him in the office. He was snowed under—until McBee provided the shovel to clear his desk!

McBEE products cut red tape... give managers sales analysis reports,

both current and comparative—faster, more efficiently, in more usable form.

Our products are simple to use. They are individually designed to meet your problems... are easy to understand... don't need specialists to operate—usually reduce overhead. Girls with ordinary office experience, and a little common-sense training in McBee techniques prepare sales analysis reports which give you what you want, when you want it. Different applications provide prompt management reports for factory as well as office—meet needs of all businesses, of all sizes. If your old report system is too slow, cumbersome, or costly—call any of the forty McBee offices!



THE McBEE COMPANY
SOLE MANUFACTURERS OF KEYSORT

295 Madison Avenue, New York 17, N. Y. ... Offices in principal cities

POST-WAR PLANNING

(Continued from page 11)

product development. Many small organizations have been purchased by larger companies where an expansion of market is the next stage in their planning. Foreign rights to products, whose worth and selling power have been established, have been increasingly capitalized. The old rule that it is seven years from the test tube to mass production is at once one of American industry's greatest challenges, and greatest hazards.

Those who have had experience in product development are not looking to the new idea to be of great immediate post-war significance, unless much of pre-development activity has taken place as a result of war activities or can be pursued aggressively during the present interim.

As time has passed, growing concern has been felt with respect to the impact of the new war industries upon our competitive economy. Equipped with new buildings, new facilities, young and vigorous employees, and with alert, aggressive and enterprising management, these organizations will unquestionably provide the hottest type of competition, for with them the future means new markets or death. We hear a good deal of plans whereby such companies will seek temporary security in the tremendous initial civilian demand, which old line companies will be unable immediately to supply. In talking with representatives of these war-born organizations, my advice has been to remain as close to the original source of sales as possible.

For many years our Government will be our largest and most important single buyer. It is the Government which has brought these new companies into being, and it certainly is to the Government's interest that their organizations and facilities remain intact until continued peace is assured.

While Government needs in the way of products may radically change, yet there is no question but that there will be great opportunities here for further national service, and to the degree to which such companies turn to governmental markets for continued outlet, will the evils of predatory competition be lessened.

As we take a final glance at the turn of events in post-war planning, two particularly encouraging tendencies may be mentioned. The war, with its heavy emphasis upon subcontracting, has greatly increased the close relation-

SPEED

**FOR PAYROLL RECORDS
GOVERNMENT REPORTS
WAR BOND LEDGERS**



Sundstrand Machine Power saves hours of man power and woman power . . .

Thousands of man and woman hours have been saved in the Payroll Departments of many firms through the use of Sundstrand Payroll Accounting Machines.

The machine does the *entire* job, not just part of it.

The operation is so fast that one machine performs the work of several clerks.

Because of the simple "10 Figure Key" keyboard and many automatic features, operating proficiency can be acquired quickly by anyone.



Our factory at Bridgeport, Connecticut, proudly flies the Army-Navy "E," awarded for the production of precision instruments calling for skill and craftsmanship of the highest order...

Read these definite Sundstrand advantages:

Payroll Records. Your Payroll Sheet or Summary is prepared at the same time that the Employee's Earnings Record is posted and the Pay Check or Pay Statement or Pay Envelope is written.

Postings to the Employee's Earnings Record are made in original, not carbon impressions. When the forms are in the machine, all entries are completely visible.

Dates and Pay Check Numbers are printed automatically. Protective Stars are automatically printed before the Check amount. When deductions exceed earnings, the Pay Check is automatically voided.

Gross Pay and Net Pay amounts are automatically computed and Column Totals are automatically printed.

Government Reports. Year-to-Date Total Gross Earnings and Withholding Tax are automatically computed for Income Tax purposes.

Quarter-to-Date Total Taxable Gross Earn-

ings are automatically computed for Social Security Tax purposes. When the taxable total reaches \$3,000, the machine automatically exempts amounts in excess.

War Bond Ledgers. The machine can be set for any bond denomination. The Unapplied Balance and the amount "To Go" before the next bond can be purchased are automatically computed.

When the Unapplied Balance reaches the purchase price of the bond, the purchase is automatically recorded. All bond purchases are listed by employees and automatically counted and totaled.

A call to your local Underwood Elliott Fisher office will bring you, without obligation, interesting information on how your payroll department can save *hours of man power and woman power.*

* * *

Sundstrand Payroll Accounting Machines are available subject to War Production Board authorization.

Save the Seconds and You Save the Day—

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"REICH BLASTED!" it says, "1500 tons of bombs rock Berlin . . . 24 of our planes missing" . . . Only 24? Not bad . . . Why that's less than 5%!

It's like watching a great big wonderful game that someone else is playing . . . And when you've finished with the paper, there's a comfortable bed waiting . . . But wait, Mister, hold on a minute! . . .

**Nothing like a
NICE, COMFORTABLE COMMUNIQUE
after a good meal!**



Read that communique as it should be read. Read the pain and suffering that lie beneath those cool words. Think of nice kids that will never smile again . . . think of strong young arms and legs horribly maimed and hurt . . . damaged young minds that will never be right again.

Think, Mister . . . think *realistically* . . . until the moment you are a part of this war instead of an onlooker! Then do something about it! . . . Work harder . . . pray harder . . . and buy War Bonds. Buy them to the limit . . . to speed the end of this bloody mess . . . to save a million young and important lives. You'll feel better if you do, Mister . . . you'll feel better the rest of your life.



DictAPHONE CORPORATION

420 LEXINGTON AVENUE, NEW YORK 17, N. Y.

ship between the large and the small manufacturer. Out of these contacts under stress of circumstance, mutual trust and confidence have arisen. In the last few months a happy result is appearing.

There is clear evidence that the big fellows are going to look out for the interests of the little fellows, in some degree at least, in the days which are just ahead of us.

In one city, for example, the sales managers of the larger companies have collaborated to develop a special course for the exclusive training of sales executives in the smaller institutions, so that when opportunity appears, the smaller organizations will be in position quickly and effectively to prepare salesmen for field work. Again, in another city, the large companies have organized a clinic of experts who are assisting small organizations, which cannot afford specialized departments, with their new product development problems. These instances are only indicative of the changing temper which bodes well for the future.

Next to the importance of employment as an assurance of a victorious peace is the growing conviction that our small industries must likewise be given a place under the competitive post-war sun.

Most heartening of all is the attitude being shown toward returning veterans and the planning which is under way for their security and welfare. One of our largest companies recently received a letter from an employee in service in Tunisia, in answer to a request for information as to the young man's plans after the war, together with the assurance that a job would be waiting for him and that the company was already arranging to plan for his future development and advance in the company. The lad wrote back, "I read your letter to my buddies in the light of our little campfire, and when I got through, one of them said, 'Boy, what a company!' and that's just the way I felt, too."

If there be one thing that is certain, it is that American industry, as it warms to its post-war planning task, is calling for inspiration and imaginative resource not only from the head but from the heart.

CHANGE OF ADDRESS

To conserve effort and paper, the publishers of DUN'S REVIEW will appreciate notices of change of address as early as possible. Four weeks' notice usually is necessary. The old address is needed; furnish a stencil impression from a recent issue if possible.



"Pursley Doesn't Seem to Grasp This Paper-Saving Idea"

Pursley's "doodling" may not seem very important in itself—but this widespread bad habit is today wasting many a ton of good white paper.

It's worth-while to check up on such practices now that paper is a vital material of war . . . with 25 tons of blueprint paper required to make a battleship and 12 pounds of paper for every 500-pound bomb.



Here are ways in which form users can save paper:

1. Design forms to use fewer parts of smaller size
2. Reduce weight of paper stock
3. Correct minor errors—don't use a new form
4. Don't buy in too large quantities

—and don't forget whenever you use paper:

Don't throw away slightly damaged or soiled stationery

Use both sides of the sheet

Design printed matter to use less paper

Prune the "deadheads" out of mailing lists

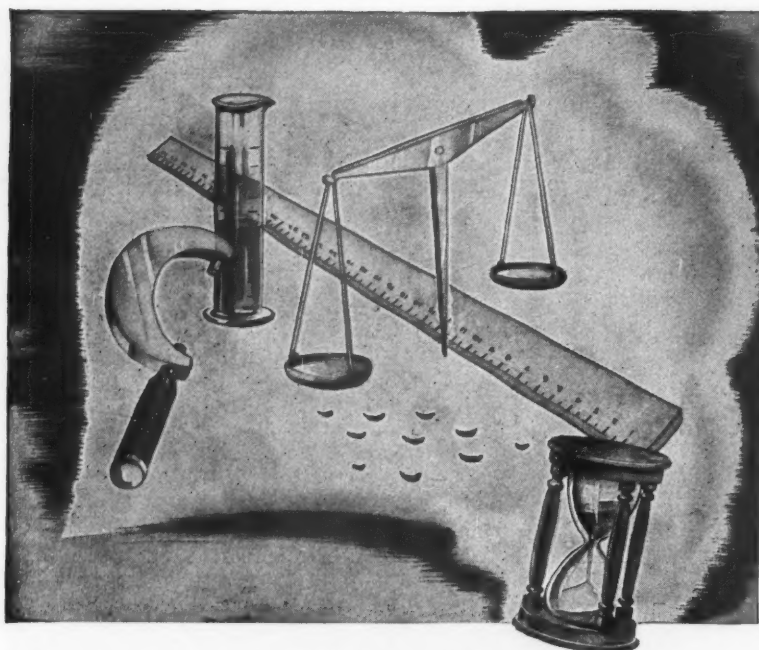
Remember, paper saving is in the national interest—and it's a job in which YOUR co-operation is needed. Let's all starve our wastebaskets and make each piece of paper stretch farther.

UNITED AUTOGRAPHIC REGISTER COMPANY
Chicago, Cleveland, Oakland • Offices in All Principal Cities

USE LESS—SO OUR FIGHTING FORCES WILL HAVE MORE

MARCH 1944

[25]



YOU NAME THE STANDARD...

This SUGGESTION SYSTEM MEASURES UP

Perhaps you use special methods to evaluate business tools—maybe you just ask pertinent questions. In either case, here's how the Morton Method scores on points you probably consider important.

SIMPLICITY—The Morton Method is a complete plan, professionally organized to cover every detail of suggestion system operation. The Method eliminates guesswork and experimenting.

EFFICIENCY—Every properly operated installation of the Morton Method returns its yearly cost within 30 days. The Method saves millions of dollars yearly for its hundreds of users.

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More detailed information on what the Morton Method has done or can do for your specific type of business is available on request. Just write or phone today—we'll do the rest.



The MORTON METHOD

MORTON MANUFACTURING COMPANY
SUGGESTION SYSTEM DIVISION

328 N. Leamington Avenue
Chicago, Illinois



GROSS PRODUCT STATISTICS

(Continued from page 14)

above the 1939 level. It is well known of course that a major part of this increase was due to a rise in prices rather than to a growth in real consumption.

To disentangle these two factors is a task of major difficulty under present conditions, and the results may easily be substantially in error. For this there are several reasons. Estimates of price change are necessarily based on a sample of commodities and services. These may not always be representative of the price change in all the items that enter consumer budgets. This is particularly true when the usual patterns of consumer spending are disturbed. Also, available price quotations will not adequately reflect violations of price ceilings and quality deterioration. Nor can quantitative allowance be made for the consumer sacrifice that is due to the fact that many commodities have disappeared from the markets, that others are available only in limited quantities and that, accordingly, the consumers' freedom of choice has been generally restricted. In spite of these difficulties an attempt has been made to eliminate the influence of the price change from the consumer expenditure data. Consumer expenditures expressed in constant 1939 dollars appear to have moved as follows:

1939.....	61.7
1940.....	65.1
1941.....	70.0
1942.....	69.8
1943 first half.....	72.4

Allowance for the price rise that can be measured by the usual statistical techniques considerably deflates the high current dollar figures, but leaves unchanged the general impression of a large volume of consumer purchases. The real volume of consumption is seen to have expanded substantially between 1939 and 1941. In 1942 and 1943 the sharp reduction in consumer durables was compensated by a further increase in the volume of non-durable goods and services. The conclusion seems inescapable that the extent of sacrifice which the war has imposed upon civilian consumers so far is very small. If comparison is made with the year 1939 there can be little doubt that, in spite of the requirements of the huge war program which have been superimposed upon the economy, the nation on an over-all basis is better supplied

We never knew what this machine could do

SURE—we knew right along that Addressograph machines could write business forms and records at the rate of 85 a minute—with 100% accuracy.

We knew that before the war these machines were cutting costs and saving time in payroll writing, inventory taking, check writing and dozens of other office procedures.

Then war came. And with it the need for speed-up in all phases of business—factory, office, warehouse, shipping room. Soon Addressograph users were telling us that their machines were being used for production control, tool crib control, War Bond writing, allotment check writing, parts identifica-

tion and countless other war jobs—many of them new applications.

Almost daily we hear of new ways to simplify business methods with Addressograph equipment. So broad are the possibilities we may never find out all the things it can do.

Addressograph (and Multigraph, made by the same company) can speed up the handling of 80% of all paper work in business. If you are an Addressograph user, chances are we can help you extend the use of your equipment—save time and money. We will be glad to show you how. Write or call Addressograph-Multigraph Corporation—Cleveland and all principal cities.





In just 9 minutes it tells

How to Get Thousands or Millions Quickly

for any sound business use

MORE than 70,000 executives recently have received "Capital Sources" — a 9-minute outline of new and broader Commercial Credit services which solve many financing problems.

Is your current volume too large to handle with your present capital? Do you lack ready cash to make renegotiation payments, or to defray other obligations? Are

heavy taxes straining your cash position . . . and depriving you of discounts, credit standing and buying advantages which result from prompt payment?

These are among the *usual* reasons why many well-established manufacturers and jobbers use Commercial Credit services . . . which release funds tied up in accounts receivable, inventory and fixed assets . . . and thus give you new capital quickly, economically and without interference with management. Our receivables plan involves no notice to your customers . . . and a special feature permits you to limit your liability.

In like manner, these same Commercial Credit services can be shaped to serve other purposes: To buy another business or expand your own . . . to buy out partners, officers or other stockholders . . . to retire bonds, mortgages, preferred stock or long-term loans.

If you can make good use of additional funds, and failed to read or receive "Capital Sources," write or wire Dept. 64 for a copy.

Over Half a Billion of Receivables Financing Since Pearl Harbor

That is Commercial Credit's record in helping manufacturers and wholesalers finance wartime operation and expansion.

Through wartime use of Commercial Credit's services, hundreds of executives have gained a new understanding of how Accounts Receivable Financing contributes to sound and profitable operation.

As a source of cash for reconversion and many other business uses, financial experts now predict a much wider use of Accounts Receivable Financing than ever before.

Commercial Credit Company

BALTIMORE-2, MARYLAND

Subsidiaries: New York Chicago San Francisco Los Angeles Portland, Ore.

Capital and Surplus More Than \$68,000,000

with consumers' goods and services than it was at the inception of the rearmament program.

Maintenance of a high level of real consumption constitutes the feature of the economic picture which has most consistently belied the prediction of economists. Sharp reductions in the over-all volume of real consumption, which were anticipated for 1942, have failed so far to materialize. Several factors are responsible for this. In the first place, the level of consumption has been maintained by a draft on inventories. Inventory statistics do not throw full light on this aspect of the situation, since they cannot be broken down satisfactorily between war goods and civilian products. But it is probable that the support which inventory reductions have extended in maintaining the high level of real consumption substantially exceeds the recorded \$3 billion net reduction of total inventories in the second half of 1942 and the first half of 1943.

Consumer Cut Not Required

More important, however, in allowing a high level of consumption was the vast expansibility of our productive machine. It made it possible to fill the requirements of the war program largely by expansion rather than by a diversion of production from civilian use. Moreover, as long as there was no over-all shortage in available manpower, general reductions in the output of consumer goods industries could not materially contribute to the war effort for technical reasons. In 1942, for instance, when consumer goods industries that used materials, equipment, and skills that were needed in the war effort had been converted to war production, the major contribution which consumer goods industries could make at that stage had been accomplished, and it would have been purposeless to force additional over-all restrictions in their output.

The situation in 1943 was different. Total production was levelling off and war production was running behind forecasts. Given the present degree of manpower mobilization, it would seem that if further increases in war production and in the armed forces are necessary they will have to be obtained increasingly at the expense of the civilian consumer. A brighter alternative may, however, materialize. It may turn out that a war effort of approximately the present proportions is sufficient to secure victory, and an over-all contraction of civilian standards may not be

Report No. 4 on
HONESTY ENGINEERING
 —a new idea in
Personnel Relations



THAT'S typical of how employers reply to inquiries about Honesty Engineering. It helps keep needed employees on your payroll by helping reduce the number who "go wrong" and misappropriate money, materials or merchandise. In one large wholesale organization, for example, this new Personnel-Protection Plan cut by 83% the average number of employees discharged for dishonesty.

Based on long experience, the U. S. F. & G. Personnel-Protection Plan not only insures you against financial loss through employee dishonesty

but: (1) discloses undesirable personnel and prevents waste in training; (2) applies tested methods that help keep good employees from going wrong; (3) helps employers eliminate leaks, pitfalls and careless acts that often lead to employee dishonesty.

Whether you have 10 employees or 10,000, your U. S. F. & G. agent will be glad to show you how the Personnel-Protection Plan helps you keep employees by keeping them honest. Consult him today.

Branch Offices in 43 Cities—Agents Everywhere

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affiliate:
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Consult your insurance agent or broker  as you would your doctor or lawyer



Illustration shows COMMERCIAL CONTROLS Metered Mail Machine

YOUR post office is handling more mail than ever before—and with less manpower. Give it a “hand” by addressing mail clearly and correctly . . . by including the zone number . . . by observing all postal regulations . . . and in your office, by using modern mail-handling equipment.

COMMERCIAL CONTROLS Metered Mail Machines seal, imprint, postmark, count and stack outgoing letter mail, and account for all postage spent. They are also adapted for quick preparation of parcel post shipments. They eliminate sorting and cancelling operations in the post office—and in your own office, save manpower and speed production.

Today the mailroom is “the heart of every office.” And it will gain further importance when Victory brings

a faster-moving business world. So you should plan your new, postwar mailroom *now*—with the help of our specialists.

Equipment for Complete Mailroom Service will be in production again as soon as we finish today’s big job of making .30 caliber M-1 Carbines for the Armed Forces.

Metered Mail Systems . . . Postal and Parcel Post Scales . . . Letter Openers . . . Envelope Sealers . . . Multipost Stamp Affixers . . . Mailroom Equipment. (Many units available.)



Let's Give to the
RED CROSS WAR FUND

come necessary for the accomplishment of this end.

The tremendous increase in gross national product and the drastic changes in its composition have been paralleled by an equally spectacular increase in the incomes generated in its production and by significant changes in the distribution of the income flow. As can be seen from Table II, national income, the sum of distributive shares accruing to factors of production, more than doubled between 1939 and the first half of 1943, increasing from \$70.8 billion to an annual rate of \$143.1 billion. The most significant changes in the components may briefly be noted.

The bulk of the absolute increase—almost three-quarters of the total—occurred in wages and salaries, the largest component of national income. Over the same period the percentage share of wages and salaries in national income also increased. This was due, however, solely to the rapid expansion in the pay of the armed forces. The proportion of national income represented by wages and salaries in private industry remained remarkably stable. The growth of the wage and salary bill of private industry was concentrated, of course, in the durable goods industries identified with the war production effort. It was due to various factors which are difficult to disentangle statistically. The rise of total employment and in the average hours of work have been the basic factors. But shifts to higher paid industries and jobs, large increases in basic wage rates, and in the amount of work paid for at overtime rates have also been important.

Higher Incomes for Farmers

The largest percentage increase of incomes went to farmers. Net incomes of agricultural proprietors more than trebled between 1939 and the first half of 1943. Although there occurred a 22 per cent increase in the volume of farm marketings between the two periods, the doubling in the prices received by farmers was a more important factor in accounting for this sharp increase.

Net profits of corporations doubled between 1939 and the first half of 1943, the percentage increase being about the same as that for national income as a whole. The tendency for corporate profits to increase more rapidly than national income in periods of rising activity, which had been in striking evidence until 1941, was checked in 1942 and 1943 mainly because of the sharp upward adjustments in corporation income and excess profits taxes.



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THE UNDERMENTIONED TRADE REPRESENTATIVES AND TRADERS IN SOUTH AFRICA ARE INTERESTED IN DISTRIBUTING YOUR PRODUCTS

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SIMON DAVIS, (B 2426), All types soft goods, hosiery, piece goods.
DENT & GOODWIN, (B 1446), Customs, clearing and shipping agents.
FASSETT & JOHNSON, LTD., 15 Bree St., Medical, toilet and foodstuffs.
W. J. HOPKINS & CO., PTY., LTD., 30 Adderley St., Haberdashery.
J. W. JAGGER & CO., PTY., LTD., 54-62 St. George's St.; General merchandise.
LEWIS & CO., (B 2426), General agencies.
MANUFACTURERS DIRECT SUPPLIES, 92 Loop St., Household hardware, crockery, glassware, cutlery, brushware, dinnerware.
SAM NEWMAN, LIMITED, 30 Burg St., Hardware, sanitaryware, tools, electrical and household goods.
L. F. RAE & SONS, (B 422), Foodstuffs, general hardware and chemicals.
L. RAPHAELY & SON, (B 447), Branches Johannesburg and Durban, Textiles, foodstuffs, industrial requirements.
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SLADEN & ASHMAN, (B 2159), Toilet sundries, novelties for chemists and departmental stores.
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WM. SPILHAUS & CO., LTD., (B 113), Machinery, household appliances, silverware.
STUTTAFORD & CO., LTD., Adderley St., Nylon products and home electrical appliances.
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E. C. HAWKINS & SONS, (B 339), Bracket clocks, metal watch bands, flap-jacks, brush sets, imitation jewelry.
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KENT & CO., (B 515), Groceries, canned goods, sport and toilet requisites.
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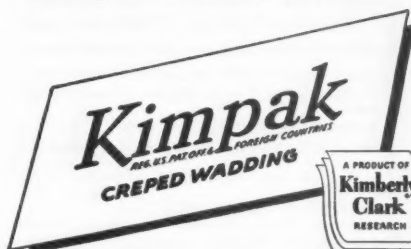
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*KIMPAK (trade-mark)
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It has been shown that in the course of the war an increasing share of the growing gross national product was absorbed by war expenditures and ceased to be available for private use. This development was exactly mirrored in the disposal of the funds generated in the production of gross national product. As can be seen from Tables III and IV an ever-increasing part of these flows became available to the Government, either in the form of taxes or in the form of savings, to finance the huge expenditures of the war program. Thus, between 1939 and 1943 combined tax liabilities of business, personal tax payments, and social insurance contributions almost trebled, rising from a level of \$15.5 billion in 1939 to an annual rate of \$45.6 billion in the first half of 1943.

Federal taxes on corporate and individual incomes, reflecting a sharp rise in tax rates as well as in the tax base, accounted for almost five-sixths of the total increase. The growth in the volume of savings, both by business and individuals constitutes another striking change in the disposition of the income flow. As private gross capital formation was curtailed in order to make way for war production, an increasing volume of these gross savings became available to finance the rising Government deficit.

Savings Rise \$27 Billions

The largest increases occurred in the volume of individual savings. These rose from \$6 billion in 1939 to an annual level of \$33 billion in the first half of 1943. In view of the attention that has been paid to these figures and the wide use that is being made of them in appraising the fiscal situation, a few comments by way of their interpretation are in order.

In the first place, it should be remembered that the savings figure which is reflected in the statistics refers to the actual amount which individuals have saved during a given period, rather than the amount they intended to save. This distinction is of crucial importance. In periods of rising prices and incomes, individuals with incomes that are not contractually fixed may find that they are to some extent saving unintentionally because their expenditures are based on an expected income that is lower than the actual income they earn. The spending of these windfalls will eventually bring incomes, consumption, and savings into relation with each other which reflects the basic saving-spending habits of individuals.



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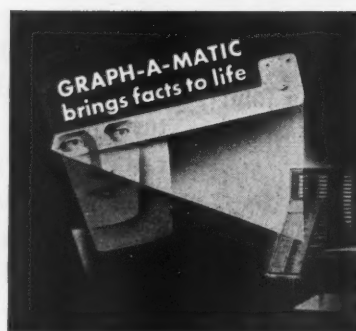
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It is already evident that the basis for satisfactory settlement of government contracts starts long in advance of termination day. The development of a standard procedure to be followed and especially the maintenance of adequate records and administrative controls are demonstrated prerequisites. Not only must preparations be made to bring into proper focus complete details of work done on contracts, but the need to maintain inventories within reasonable limits consistent with program requirements is indicated.

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But if, as is unavoidable, statistical measurement is taken while this adjustment process is still in progress savings will be high in relation to incomes and will fail to reveal the amounts which individuals would save if they continued to earn the current level of incomes.

Since statistics of individual savings include the savings of unincorporated businesses whose incomes are likely to be affected by the type of windfalls just discussed, the element of unintentional saving which is included in the totals may be quite important. Hence, in analyzing the problem of inflation it is not appropriate to rely upon the entire level of current savings as an offset available against inflation at the current level of income.

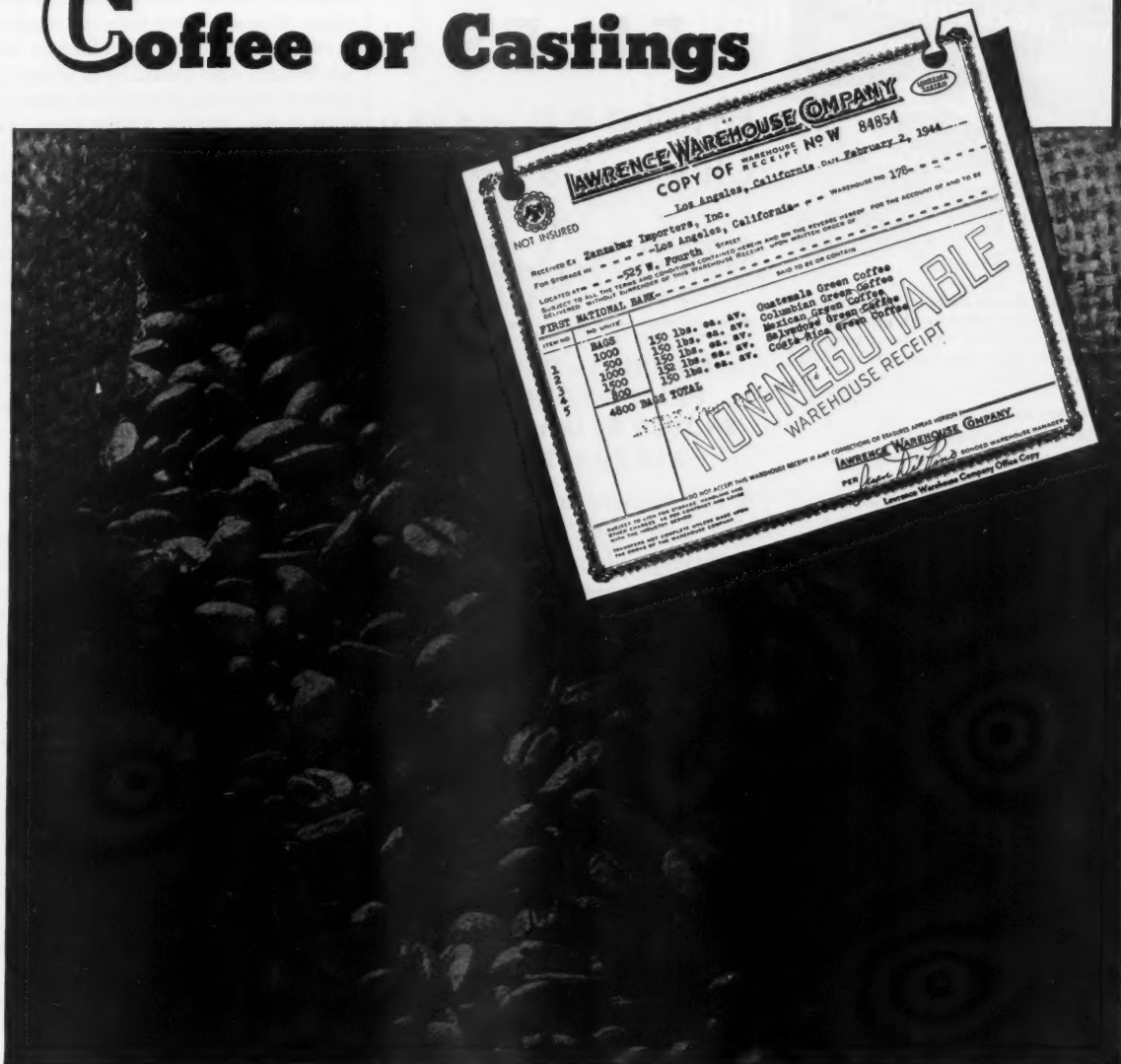
Scarcity of Consumer Goods

Another major reason for the high level of individual savings is to be found in the market conditions that have confronted consumers in 1942 and 1943. With the virtual disappearance of many types of durable goods from consumer markets a major outlet of consumer spending was cut off. Also, an increasing range of other commodities ceased to be available in unlimited quantities. To the extent that price control and rationing were effective, the rising tide of incomes was not transferred to businesses by driving up the prices of the restricted volume of consumer commodities still available in the market, but settled in consumers' pockets in the form of savings.

This point, too, should be borne in mind in interpreting the significance of savings statistics in relation to the problem of inflation. The high level of individual savings should not be adduced as warranting less pre-occupation with anti-inflationary policies, or, worse, their relaxation. To a very important extent it is a direct result and measure of the relative success of the attempt to check the rise of prices.

The economic experience gained during the war as recorded by national product and income statistics must shape the post-war outlook in several important respects. We have seen that it is in our power to harness the productive resources of the nation so as to provide employment to all those who desire to work and to turn out, in stupendous quantities, the goods and services we need. In this respect the record of the rearmament and war years stand out in shining contrast to the underemployment and underproduction of the previous decade.

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It is true that the present level of production has been obtained at costs which we should not want to incur in times of peace—long hours of work at grinding pace, work by children and adolescents who should be in school, by women who would prefer to return to their homes, and by a large amount of irksome regimentation necessary to drive the productive effort to its ultimate pitch. But even if we return to the more leisurely pace that is appropriate to peacetime it is obvious that we can maintain a level of production far in excess of any pre-war level. If this production is geared to turning out, not implements of war, but the goods and services desired by a peaceful population we can attain a level of general prosperity far beyond any hitherto attained.

Post-War Challenge

This promise of a better post-war world is no justification for complacency. On the contrary, it constitutes a major challenge. With the exception of the war years our recent economic history has been a record of our failure to achieve a full volume of production and employment. What guarantee do we have that when the electrifying stimulus of the war is spent our industrial machine will not relapse into the torpor of the thirties?

To a certain extent, the mere realization of the fact that we can and must produce more than we ever have will help. For increased production itself will generate additional incomes which may take production off the markets at profitable prices. There is a dynamic element here which is easily missed. But if matters were really that simple we would never have had a depression. Experience shows that there are narrow limits to this lifting oneself by one's own bootstraps. A high level of production in 1929 did not prevent the collapse in the thirties. The explanation is, of course, that though it is a mathematical truism that full production generates incomes sufficient to take the entire output off the market, there is no guarantee that businesses and individuals will in the aggregate spend an amount sufficient to cover the costs incurred in producing total output and to leave a margin of profit that is sufficiently attractive to warrant continuance of production at full scale. To the extent that there is a deficiency of spending, the business system is caught in a spiral of contraction.

Fortunately, there exist reasons for optimism with regard to the volume of

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post-war spending. We have traced how the demand for consumer durable goods was choked off in 1942 and 1943 in order to liberate resources for war production. As a consequence, consumer stocks of durable goods are being depleted and a deferred demand for these commodities is being built up. On the monetary side of the picture there is accumulating, as we have seen, a vast volume of individual savings which will provide the funds necessary to make this demand effective. The position is similar with respect to capital goods. In this sector, too, a depletion of private stocks is occurring which will require replacements after the war.

Needs Careful Planning

These are favorable factors in judging the level of post-war production and employment which the business system is likely to generate. But wisdom and decision in both Government and business policies will be needed to make sure that the favorable potentialities inherent in the situation are realized. In the first place, an economic setting has to be provided in which these factors can become effective. If individuals after the war feel insecure of their jobs and their earnings prospects, they are not apt to exercise their deferred demand for durable goods. And businesses may similarly postpone large-scale replacements of their capital equipment because prospects appear too uncertain. Hence, the transition from war to peace will have to be planned carefully to insure that the favorable factors will not be short-circuited.

Secondly, it cannot be known in advance whether the leverage of accumulated demand will be sufficient to insure full prosperity or, for that matter, whether it will be so large that it may threaten severe inflation. We should not be caught unaware if it turns out that either the one or the other is the case. Finally, even if it is assumed that immediate post-war prosperity is achieved with a minimum of Government assistance, the longer run economic problems should not be lost sight of. A prosperity based on an accumulated shortage of durable goods could soon end in a business collapse. Achievement of a stable prosperity and one that is shared by all groups of the population will be the two major economic tasks to confront us in the post-war era. They can be solved, but not by pretending that the problems do not exist.

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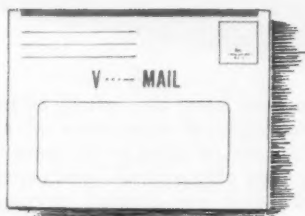


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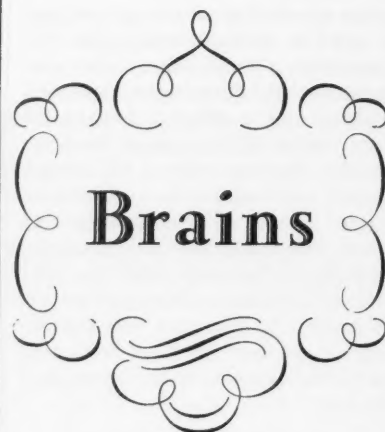
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